WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 7.16.2010

The Democrats' Spending Spree Must End.

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At a time when many Americans are being forced to do more with less money, Democrats continue to engage in unsustainable deficit spending.

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In a recent report, CBO warned that the debt held by the public will skyrocket, doubling from its current level of 62 percent of GDP to 125 percent of GDP by 2027, surpassing Greece's current debt level.

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The interest payments alone for our national debt are projected to be $916 billion in 2020.

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Americans cannot afford the unprecedented level of continued spending by the Democrats. It is time for the Democrats to stop ignoring the lessons from Greece and the current European sovereign debt crisis. The time to cut spending and get our deficits under control is now.

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If Democrats cannot discipline their borrowing and spending, future generations will pay for today's poor fiscal planning.

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Yet the Democrats have recently punted this issue to a partisan commission, while continuing to engage in excessive spending and shifting losses from the private sector onto the backs of taxpayers.

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Many experts are sounding the alarm that action must be taken to address the nation's fiscal health. Recently, Federal Reserve Chairman Bernanke said, "The federal budget appears set to remain on an unsustainable path." The Democrat co-chair of the president's debt commission, Erskine Bowles, says, "This debt is like a cancer."

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We owe it to the American people to stop the out-of-control spending by Washington Democrats and demand fiscal responsibility.

More Government Stimulus Is Not The Answer To Spur Economic Activity.

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By all accounts the Democrats' stimulus bill has been a complete failure. Since it was signed into law, 2.4 million jobs have been lost and unemployment currently stands at 9.5 percent. A CBS News poll found that 75 percent of Americans said the Democrats' stimulus has had no impact on the economy.

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Democrats continue to believe that they can spend, borrow, and tax their way to economic prosperity.

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The Obama Administration and Washington Democrats now believe that additional stimulus is needed. The Democrats fail to recognize that their stimulus has not achieved its objective of getting the economy moving again or keeping unemployment below the promised 8 percent level. In fact, after the passage of the Democrats' stimulus, unemployment reached a high of 10.2 percent.

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Additional stimulus will only mean the Democrats are doubling down on their failed policies. More government spending does not equate to more economic activity. In fact, more government spending and more debt is hurting economic activity and job creation.

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To get the economy moving again, we must provide our small businesses with the certainty they need to grow and create jobs.

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The Democrats have no plan to create jobs and get the economy moving again. To them, the only answer is more government spending and additional stimulus.

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Instead of continuing to advance more government spending, the Democrats should focus on passing a 2011 budget that reflects a credible commitment to fiscal discipline.

Uncertainty Continues To Hamper Economic Growth.

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The high levels of government spending and deficits, along with political uncertainty over the Democrats' policies is creating a hostile regulatory environment that discourages financial institutions from lending and small business owners from investing, expanding, and hiring new workers. Unsure of what costly mandates are coming from Washington next, businesses are hunkering down in the near term instead of moving forward with business growth plans.

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The Dodd-Frank bill that is expected to be signed into law next week creates even more uncertainty for businesses. For example, the Dodd-Frank bill includes 243 federal rulemakings, including rules on derivatives, consumer protection, compensation at financial companies, proprietary trading, and which companies will fall under the Fed's heightened prudential supervision.

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It is the uncertainty created by the Democrats' policies that is causing capital to remain on the sidelines. Along with this uncertainty, businesses are worried about possible tax increases that will be needed to pay for the Democrats' profligate spending.

ON THE HORIZON

Tuesday, July 20: The Capital Markets Subcommittee will convene for a hearing entitled "Oversight of the U.S. Securities and Exchange Commission: Evaluating Present Reforms and Future Challenges" at 10 am in room 2128 Rayburn. At 2:30 pm, the Domestic Monetary Policy Subcommittee will convene for a hearing on coins and currency in room 2128 Rayburn.

Wednesday, July 21: The Full Committee will meet for a hearing on multilateral development banks at 10 am in room 2128 Rayburn. At 1 pm, the Full Committee will convene for a legislative hearing on H.R. 2267 in room 2128 Rayburn.

Thursday, July 22: The Full Committee will receive the Federal Reserve semi-annual monetary policy report at 9:30 am in room 2128 Rayburn, followed by a second hearing on monetary policy and the state of the economy featuring testimony by private sector economists at 1:30 pm.

WEEKEND MUST-READS

Wall Street Journal: "Law Remakes U.S. Financial Landscape ... Congress approved a rewrite of rules touching every corner of finance, from ATM cards to Wall Street traders, in the biggest expansion of government power over banking and markets since the Depression."

Wall Street Journal: "Fed Gets More Power, Responsibility ... After fending off most challenges to its independence and winning new powers to oversee big financial firms, the Federal Reserve has emerged from a bruising debate on the overhaul of U.S. financial rules as perhaps the pre-eminent regulator in the sector. But that could only bring it added blame if things go wrong again."

Washington Post: "Federal regulator subpoenas firms as Fannie and Freddie attempt to regain losses ... A federal regulator subpoenaed mortgage lenders and other companies for loan documents Monday in an effort to reclaim funds they may owe government-backed firms Fannie Mae and Freddie Mac."

LA Times: "Fed urges small-business lending, but business isn't booming ... Federal Reserve Chairman Ben Bernanke urged banks to make more small-business loans, but many businesses say the real problem isn't financing - it's lack of business."

Forbes: "It's Time To Reform Fannie And Freddie ... Just as oil continues to spill in the Gulf, taxpayer money continues to flow to ailing mortgage giants Fannie Mae and Freddie Mac."

Wall Street Journal: "Finance Overhaul Casts Long Shadow on the Plains ... Farmer Jim Kreutz uses derivatives to soften the blow should the price of feed corn drop before harvest. His brother-in-law, feedlot owner Jon Reeson, turns to them to hedge the price of his steer."

Wall Street Journal: "Bank CEOs and the Bewitching Carrot ... What was obvious to common sense, the naked eye and the open ear is now systematically upheld in the research of finance professors. To wit, shareholders of large, publicly traded banks have a higher appetite for risk than is compatible with our regulatory system."

Wall Street Journal: "Finance Bill Includes New Fees for Banking ... The financial-overhaul legislation on the verge of passing Congress grants the government broad authority to levy several new fees on financial institutions."

REPUBLICANS IN THE NEWS

Rep. Tom Price issued this press release: This Is Not Financial Reform

Rep. Spencer Bachus penned this op-ed: Dems: Don't expect Main St.'s help and issued this press release: Bachus Statement on Dodd-Frank Conference Report

CARTOON OF THE WEEK

(Washington Post)